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ABSTRACT

Changes in economics education that have taken place in the California State University system since 1967 are described. The author, Chancellor of the California State University and Colleges, suggests that these changes have created a body of students able to understand public questions and make wise economic decisions. A major portion of the report discusses the nationwide problem of economic illiteracy, defined as the inability of citizens to cope effectively with the economic dimensions of public questions and with the economic dimensions of their daily lives. This problem, however, has been counterbalanced by the Economics Education Centers on 14 California college campuses. Included in the report are guidelines for increasing funding and teaching staff at these centers, a discussion of specific responsibilities of the centers, and a description of the relationship of the centers to local school districts and to other university departments. (Author/DB)

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A NEW DIMENSION TO ECONOMIC EDUCATION

by

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1. Introduction

To address so many leaders of California business and professional life, from the dais of one of the most noted forums in the world is a privilege I appreciate, and an opportunity I welcome in this Bicentennial year.

What I'm going to talk about today is a message which I believe can be welcome news to Americans who not only take pride in the accomplishments of this country under 200 years of democracy and the free market system, but who feel that it is essential to our future that all Americans have an understanding of how and why the American economic system has worked within our form of government to provide a standard of living unprecedented in history.

In addition, my message is very much in the spirit of the basic Commonwealth Club idea:

> "If citizens are given all sides of public questions, they will make wise decisions."

However, wise decisions by citizens will emerge if -- and only if -- their education or other training has adequately prepared them to understand public questions in the light of truth on all sides.

Now comes the bad news -- a matter of grave concern: On public questions involving economic issues, our schools and our universities, in many ways fail to prepare the great majority of students to make wise decisions. And the adult public-at-large, having emerged from these same institutions, is in the same boat. Our citizens cannot in most cases make wise decisions on economics because, frankly, we are largely a nation of "economic illiterates."

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But I bring you good news also. We in The California State University and Colleges are trying to do something about this problem -- something which has the potential of being quite effective.

Presented at the Commonwealth Club of California, San Francisco, August 6, 1976.

2. The Problem of Economic Illiteracy

If a free society is to work, it requires a nation of economically literate citizens.

But, as I mentioned, we have a nation virtually inundated by the murky waters of economic illiteracy. Let's look at some facts which, in my opinion, border on the shocking. And these facts are just the tip of the iceberg.

Among our young people:

In 1973, the Joint Council on Economic Education, using a national sample of 21,000 high school students found that over 50% of the students could not distinguish between collectivism and a free enterprise society; and that over 50% did not know the U.S. economy was based on free enterprise.

A different study, by the Opinion Research Corporation, showed that among U.S. teenagers, 12-17 years old:

(1) by more than two to one, teenagers thought the best way for workers to increase their standard of living was to get more of the company profits; and

(2) two out of three teenagers thought that in the average manufacturing company, most of each dollar goes to the owners.

Among adults:

The Opinion Research Corporation found that:

(1) The median estimate of the U.S. public was that corporation profits are 28¢ on the sales dollar. The actual figure at the time of the study was between 4 to 5% on the sales dollar; and

(2) Even company stockholders estimated profits at 23% of the sales dollar.

Among teachers:

In California, while the State requires economics in its elementary level social science curriculum, it is estimated that only about 15% of university students in elementary teacher training programs take a course in economics.

About the high school economics course:

Nationally, the U.S. Office of Education reported in 1972 that only 26.4% of secondary schools in the U.S. offer a course in economics. In these schools, only 7.1% of the students take the courses in economics.

Why should we be concerned about the effects of this lack of information? What are the costs to us as a nation?

The quality of our economic decisions -- from taxing and spending decisions at national and state levels, to zoning and school board decisions at the local levels -- depends on the economic literacy of our leadership and our voting citizens. An economically illiterate democracy necessarily means an inadequate quality of economic decision-making. Our democracies in the western world are much more vulnerable on this score than centrally planned governments under full authoritarian control. A well-known economist, Dr. Ben Lewis of Oberlin College, has stated: "The case for economic education is the case for democracy itself."

Right now, many of our nation's institutions and productive activities are under widespread criticism. An uninformed electorate's response in the area of economics may well bring about unthinking destruction of our basic institutions.

Some feel that we in the United States are entering a new era, an era of continued, but slower, economic growth. In this period we shall re-encounter the old economic bogeyman of scarcity in new and different forms. We shall still be an affluent society, but an affluence that must be generated and reshaped in the face of certain changes in our resource base. Population growth, depletion, and hence shortages of certain resources, increased costs of energy, urban crowding, strictures owing to the environment and to pollution are new factors which must be considered.

However, our citizens have been conditioned to rapidly rising standards of material well-being, and will continue to demand these. Clearly, we will be faced more and more with hard and realistic choice-making to cope with scarcity. It will require exceptional economic maturity for the electorate to cope with scarcity in the presence of affluence.

If, for example, clean air is a scarce good -- how much are we as a society willing to give up to get it? Do we understand that it is increasingly costly to get cleaner and cleaner air -- that it may be prohibitively costly to get

100% clean air? How much are we willing to alter our life styles to achieve our goals of clean air? Again, will our children understand that if (as many economists predict) the national economic growth rate slows to 2.4% annually between now and 1985 (down over 1/3 from the 3.8% rate in the past 25 years) -- our incomes will have to slow up also? Are we willing to forego annual raises? Will we face more pressures in collective bargaining?

Our government is spending more and more on social engineering and redistribution of income. The welfare states of Europe are beginning to creak and groan. At what point does a welfare state destroy the productivity of the free society that created it? Questions of economics are involved.

If I am correct that these and similar decisions will dominate the questions confronting our leaders and our citizens -- then economic illiteracy means our children are not being equipped to think about the hard choices immediately ahead. They need economic education because economics is basically the science of choice-making, choosing, establishing trade-offs, and priorities in the face of scarcity. Economics provides a realistic approach to the problems we are running into. I am forced into the position of believing that economic education for your young people may be getting to be, in terms of our national survival, almost as necessary as reading, writing, and arithmetic.

3. Why Economic Illiteracy Exists?

We have every right to ask: "Well, why don't we have an economically literate electorate? What went wrong?"

Let me say a few words about the absence of economic education in our schools, our universities, and among the public at large.

Let's look first at the schools.

1. Economics is simply not included in the curriculum that is actually taught by most teachers.

2. Most teachers have no training, or at least highly inadequate, training in economics.

3. Most textbooks (e.g., social science, history, etc.) that should contain elements of economics contain no economics at all, or highly inadequate economics.

4. The schools have virtually no key resource people to make economic education happen. Here the problem is a resource gap -- the key resource people are professional economists specializing in economic education -- but they are almost all located in the universities. In recent years the universities have organized these economists into Centers for Economic Education, with the mission of combating economic illiteracy -- but there are only 115 in the entire nation, most of them in a very early stage of development. (More about these Centers later.)

What about higher education?

High school graduates are not economically literate. On the basis of 12 years of education in grades 1-12, the typical college freshman knows little of our economic system. Moreover, most students do their best from then on to avoid economics courses, which for many students over the years have developed a reputation of being difficult and dull. In our colleges and universities it is primarily the majors in economics and business administration who receive economic education. The great bulk of the remaining undergraduates take no courses in economics and graduate as economic illiterates -- despite the fact that an understanding of economics could benefit most of their majors, whether it be history; English; sociology; environmental science; engineering; pre-law; human services; criminology, etc., etc.

The worst tragedy in most universities is the failure of economics to be required of students going into teacher training.

Finally, economic education outside the schools for our adult population is equally ignored.

4. "The Way It Should Be": Economic Literacy and Economic Education

Now that we have briefly reviewed the facts about the nationwide problem of economic illiteracy, -- let's look at what's right, "what should be." Of course, what we want for our citizens is economic literacy, so that our electorate can make wise decisions in this area.

But what is economic literacy?

Put simply, it is the ability of our citizens to cope effectively with the economic dimensions of public questions, and with the economic dimensions of their daily lives.

How should economic literacy be achieved? Primarily by a strand of economic education running through the school and college experience of this country's citizens, from 1st grade on up.

This process of economic education that I'm talking about is true education -- it does not dictate to students what to think -- it is non-ideological and non-partisan. It is in the finest tradition of scholarly objectivity.

But at the same time it does provide students the basic economic knowledge to think effectively for themselves about economic problems, to make wise decisions based upon sound values, and to apply these decisions so that they can function effectively in the economic areas of their society and their own lives.

For example, as Frank Adams, a close associate of mine who is sitting on this platform with me today put it: "...Every citizen might have enough economic education to challenge those in government who introduce bills calling for the expenditure of the citizen's dollar to clearly delineate the costs of those bills in economic terms that any citizen can understand. One benefit of economic education might be that citizens would insist upon a 'truth in spending law' similar to the 'truth in lending law,' in which every bill that requested the expenditure of a major sum of money might have to include a simple statement of the cost of that bill in terms of the number of dollars it would add to the tax burden of an average family of four, and for how many years. As it stands, the average citizen votes blindly in terms of the economic effects of his suffrage."

Economic education is not designed to make technical economists out of students. What it does do is continually to bring in the relevant economic component in all parts of the school curriculum.

It has definitely been established that even elementary school students can achieve effective understanding at their level of the economic aspects of their experiences and their societies. They can understand in the 1st grade that their parents may leave the home each day to work because the principle of specialization of production demands this; that schools and other public services are paid for by taxes; that people are required to do useful work to earn income; and so on.

The whole point is that economic literacy achieved through this kind of economic education will enable students to fulfill with responsibility and effectiveness their future roles:

a. As citizens, voters, and office-holders in their community, state, and nation, where they will be required to take positions on issues and problems involving economics such as taxes; school bonds; inflation; unemployment; energy and conservation of resources; government spending; city planning; etc.

b. As individual householders, consumers, investors, savers, and borrowers, where they will have to make effective decisions in the utilization of their personal resources and incomes; and

c. As workers, managers, or professional people, required to make competent decisions, having to do with their jobs.

5. What Has Been Done About Economic Illiteracy and Economic Education in the Past?

Many organizations have been involved in the front line battle against economic illiteracy. Among the not-for-profit, non-partisan organizations, the most important has been the national Joint Council on Economic Education and its affiliated State Councils in nearly every state. Also involved have been a variety of organizations such as individual businesses and labor unions; the United States and local Chambers of Commerce; national and state Business Roundtables, and, most recently, the National Advertising Council.

What can we say about the effectiveness of the battle against economic illiteracy? What would be a fair critique of the very dedicated effort to date?

Economic illiteracy still is widespread. It is obvious that national and state efforts haven't been anywhere near enough to solve the problem.

An all-out coordinated, comprehensive, fully integrated effort has yet to be achieved.

Specifically, the economic education effort has suffered from three basic difficulties. The first is Fragmentation; economic education programs have not been comprehensive

fully integrated. For example, almost all the work in economic education has been focused on the schools, while little attention has been paid to the universities (and especially to those students in teacher-training programs), and to our adult population, e.g., employees of business and government agencies, consumer groups, etc. And even the effort to bring economic education to the schools suffers from fragmentation. In some states, work is focused at the school district level, but ignores the State Department of Education. In some states, the emphasis is on in-service training for teachers, while the texts and materials are neglected.

In almost every state, we see further fragmentation as individual organizations such as businesses, labor, and most recently, the Advertising Council, pursue their separate ways.

Thus, while there are many, many excellent materials -- those developed for the Advertising Council's recent campaign are a good example -- many of these materials are never put to effective use. What is lacking -- and this is the second, and chief, problem -- is a comprehensive, integrated delivery system -- and this is what the California State University program offers: a means of getting materials to the students, to those entering teaching training, and to the public.

The third problem in the economic education effort may be called the Pilot Program Syndrome -- limited pilot programs are enthusiastically begun but few have been carried forward to attain the comprehensive, statewide scope I envision as necessary.

So, while commendable progress has been made in economic education, we must move ahead to overcome the problems I just described. Most of all, we need a delivery system that will bring existing good materials to students and to the public.

In each state the best potential for solving the problem of the delivery system has been, and remains, the individual Center for Economic Education on a university campus, with its cadre of specially trained professional economic educators.

6. The CSUC Proposal for a New Dimension in Economic Education

This new development I am proposing to you today did not spring up full-blown last week, or last year. It is an idea we have been carefully nurturing for almost 10 years.

But I'm telling you about it today -- because now it is an idea whose time, in my opinion, has come.

Back in 1967, I proposed to the California Legislature that Economic Education Centers be authorized for each of the campuses of The California State University and Colleges. My idea, even at that early time, was that for the first time a major system of higher education could, through a multi-campus approach, bring a coordinated program to an entire state. However, the Legislature authorized only two Centers with no promise of more, and those with minimum manning -- one half-time position each -- at San Jose State University and California State University, Fullerton. Since 1967 our efforts to gain state-funded Centers on other campuses have been unsuccessful. Still, through the voluntary efforts of individual economists on the campuses, Centers have been established on 12 other campuses -- bringing our total to 14, although the additional 12 Centers have even less capability than do the two established at Fullerton and San Jose. Nevertheless, they constitute a nucleus and a framework for the expanded program I am recommending.

Since 1967, this network of undermanned, largely voluntary Centers for Economic Eduation, with additional support from the community-based, non-partisan California Council for Economic Education and other organizations, has fought in a David and Goliath struggle to solve this problem. And in the process they established my faith in their potential, and their know-how to do the job.

In 1975 I convened a special faculty Task Force on Economic Education, charging it with recommending the policies and programs The California State University and Colleges needed to do the job in California. I can report to you today that the Task Force has completed its work and has submitted a report that confirms my optimism about the possibility of a bold new dimension in economic education in our state.

The report recommends that The California State University and Colleges utilize its total organization and resources -- 19 campuses, 311,000 students, 16,500 faculty -- to develop and improve basic economic knowledge in California, in four areas:

1. Among its own undergraduates;

2. Among future teachers enrolled in its teacher education program (approximately 8,000 per year over the past seven years);

3. Among California Public Schools and Community Colleges (Grades K-14);

4. Among adult groups with specialized economic literacy needs.

The report recommends that the number of Centers for Economic Education on the campuses be increased from 14 to 19 -- one per campus -- and that all Centers be at least minimally manned so that they might function as the basic instrument to implement the total program, with advice and support from community-based groups, especially the California Council for Economic Education and the Industry/Education Council of California.

What does a Center do? It should consist usually of one full-time and one half-time person, with some clerical help. The people involved are professional economists. They spend some of their time working with faculty to persuade them to include economic education in their various disciplines. At Fullerton, for example, the Department of Speech and Communication has included economic education as one of its graduation requirements. Looking to the future, a similar or expanded program is envisioned for the Drama Department. In that case, for example, economic education could provide budding playwrights and producers with the principles underlying the marketing of their wares in the environment of their industry. By tying economic education to the student's main interest, it can be taught most effectively. Persuading various subject disciplines to accept economic education as an integral part of major requirements is a large part of the staff's job, and it takes professors to do it.

Other responsibilities of the Center staff involve work with local school districts in grades K-12, work with the State Curriculum Commission in evaluating textbooks (much good has already been done in this area), work with teacher education, both on campus and in in-service training programs, and work with the public at large.

Our existing centers, most of which, as mentioned, are staffed voluntarily by faculty who are deeply intrested in economic education, are doing good and effective work. But much, much more needs to be done if the larger problem of economic illiteracy is to be solved.

What this Task Force report recommends, therefore, is that California utilize the resources and the potential of this largest system of senior higher education in the nation

as the prime medium for bringing about a unified and total approach to overcoming this problem within the state. It suggests that for the first time, a State University system can be considered as the "delivery system" for eventually reaching millions of young and adult citizens of California. What we develop can be utilized in other States throughout the nation.

A copy of the full Task Force Report will be forwarded with pleasure to anyone who requests it. If you want one, I would suggest that you write to me direct.

Now, to put together this program -- to put into operation nineteen Centers for Economic Education, minimally staffed on each campus, and headed by a full-time Statewide Director will require some funding. The Task Force Report recommended an "ideal" budget, one that gradually increases as the program takes hold.

We are seeking that required funding in several ways:

We are developing a proposal for submission to the Legislature asking that funding for the Centers be provided as part of The California State University and Colleges' Operating Budget. I hope very much that enough legislators will see in this proposal a cost-effective way to develop economic literacy within the State of California. The funds we are requesting are proportionately small compared with our $12 billion state budget total.

The Task Force Report recognizes that full state funding will take time to achieve, and recommends that interim funding be sought immediately from the private sector. In this regard, I would hope that the community-based California Council for Economic Education and the California Industry/ Education Council, along with the California Business Roundtable, would cooperate with us.

Beyond these steps related directly to funding, I am asking my staff to take immediate steps to formalize our commitment to the concept of economic education within The California State University and Colleges. I am asking that they make economic education within our system a high-priority, identifiable "project," just as we made the attacks on grade inflation and poor writing skills identifiable projects during the past two years.

7. Conclusion

I began my talk today with the thought that if citizens are given all sides of public questions, they will make wise

decisions. To realize this idea fully in the area of economics, we must commit The California State University and Colleges to a program of economic education.

As a tax-supported system of public higher education, we already have been given a mission of service to our community and our schools. The need for adequate economic education exists in heroic proportions in our community. The public school system needs it - and simply can't get it without our help.

Personally, I have been on record that I believe a system of public higher education, supported by public taxes, has an obligation to assist and improve the society that created it by graduating citizens and future leaders who can make the wise economic decisions required to maintain and improve not only our society but also the contemporary economic system that sustains it.

I am convinced that it is entirely possible to do this within the established canons of academic freedom and scholarly objectivity at the university level. And, of course, it must be done in that way.

If our program succeeds, and if it has -- as I hope it will have -- a catalytic effect in starting similar programs across the country, so that the many good existing materials can be utilized through the establishment of effective delivery systems, of the sort our system can provide, then we will have made a major step forward toward the solution of the problem of economic illiteracy.

And maybe we will have made it in time to prevent the unthinking destruction of an economic system which has provided a better standard of living for more people than any other in history.